



Special note for biomass business operators that make use of FSC certification when sourcing biomass fuel for power generation under the Feed-in-Tariff (FIT) scheme in Japan

To procure biomass fuel for power generation as “general wood biomass” under the FiT scheme, imported biomass needs to satisfy the requirements set by the “Guidelines for Verification on Legality and Sustainability of Wood and Wood Products” issued by the Forestry Agency. FSC certification has been used as a means to obtain this verification. However, concerns have been raised, as wrongful transactions may be taking place using FSC certification.

The FSC brand identifies products made from materials contributing to the sustainable use of forests and delivers them to consumers with certification labels. The FSC system was never designed for the procurement of biomass fuel for power generation or verification for the FiT scheme. As such, proper knowledge of both the FSC certification system and the FiT scheme is critical when employing FSC certification for the FiT scheme.

Recently, suspicions have been raised regarding the possibility of the large-scale falsification of FSC certification in wood pellet imports from Vietnam and Thailand. Looking beyond the possibility of fraud, the problem may also be attributed to causes outside the certification system, specifically i) the use of FSC certification for purposes it was not designed for and ii) differences between the FiT and FSC certification schemes.

This document provides key points to biomass business operators that wish to use FSC certification for the FiT scheme. We kindly request that operators study this document carefully to ensure they are using FSC certification properly when procuring biomass fuels.

FSC-certified materials can ONLY be sourced from FSC-certified suppliers

FSC Chain of Custody (CoC) certification works to ensure that only eligible materials are used and mixed according to defined rules to produce certified products. Under CoC certification, regular third-party audits confirm that certified products are produced and managed in compliance with certification standards. This means that suppliers without a valid CoC certificate (i.e. non-certificate holders) have not been assessed objectively as to whether they properly handle certified materials and products in accordance with standards. Thus, even if materials are supplied with a document claiming that they come from certified forests and were sourced from an FSC-certified organization, this document is simply a self-assertion and has no objective assurance.

Under the FSC certification scheme, even if materials originate from certified forests, once they are handled by a non-certificate holder they are immediately regarded as being non-certified, since there is no objective assurance on how the materials have been managed. As



such, it is crucial to confirm that the supplier holds a valid FSC certificate when sourcing certified materials. The validity of certificates can be checked through the FSC public certificate search at: <https://info.fsc.org/certificate.php>

It is important to restate that under the FSC system, the sale of certified materials by a non-certified organization is considered a false claim.

Wood sourced from an FSC-certified organization may not always be certified

Most FSC-certified organizations handle both FSC certified wood and non-certified wood. Therefore, there are no guarantees that wood purchased from an FSC-certified supplier is indeed certified. To confirm the certified status of the material, purchase documents such as invoices and delivery notes must be checked for FSC claims regarding the material (e.g. FSC 100%, FSC Mix xx%) and the supplier's certification code. If this information does not appear on the purchase documents, the purchased materials are not considered to be certified.

FSC-certified products do not necessarily come from FSC certified forests

FSC claims only provide information on the forest-based materials contained in the products. Regardless of the type of claim, FSC claims do not provide any information or assurance on whether the product contains non-forest-based materials (neutral materials) such as agricultural residues.

Even when only forest-based materials are considered, the equation "FSC certified = from FSC-certified forests" is only true for materials with an "FSC 100%" claim; all other FSC-certified materials contain other materials that do not originate from FSC-certified forests. In fact, the majority of FSC certified products on the market are FSC Mix, which include material from other sources. "FSC Recycled" is used for products made from reclaimed materials only.

- FSC Mix

The following categories of materials are eligible as inputs for production of FSC Mix products. There are two categories: "claim-contributing materials", which count towards the calculation of the FSC percentage or the amount of product that can be sold as certified; and "other materials" that can be mixed but do not contribute to the FSC percentage or the amount of product to be sold as FSC-certified.

Claim-contributing materials

- FSC 100%: Wood produced from FSC-certified forests that have been certified as meeting the Principles and Criteria of responsible forest management.
- FSC Post-consumer reclaimed material: Forest-based material that is reclaimed from

end users after being used for its intended purpose, e.g. construction waste and domestic waste. Whether or not the material was originally FSC-certified prior to collection is not an issue. Under the FiT system, FSC post-consumer reclaimed material should not be treated as general wood biomass.

Non-claim-contributing materials

- FSC Pre-consumer reclaimed material: Forest-based material that is reclaimed from secondary manufacture processes or an industry that is further downstream, where the material has not been intentionally produced. Many types of industrial waste are considered pre-consumer reclaimed material by FSC. Whether it was originally FSC-certified or not prior to its collection is not an issue.
- FSC Controlled Wood: Wood evaluated through a defined risk assessment process as having low risk of originating from any of the following unacceptable sources:
 - 1) Illegally harvested wood;
 - 2) Wood harvested in violation of traditional and civil rights;
 - 3) Wood from forests where High Conservation Values are threatened by management activities;
 - 4) Wood from forests being converted to plantations or non-forest uses; and
 - 5) Wood from forests in which genetically modified trees are planted.

There are two methods of mixing eligible inputs belonging to different material categories: the percentage system and the credit system. The percentage system shows the percentage of claim-contributing inputs within all forest-based materials used. For example, a claim of “FSC Mix 70%” wood pellets means that the claim-contributing inputs (FSC 100% wood + FSC post-consumer reclaimed wood) constitute 70% of the product, with the remaining 30% coming from non-claim contributing inputs (Controlled Wood and pre-consumer reclaimed wood). The credit system assures that the amount of product sold with an FSC claim is commensurate with the claim-contributing inputs used in the production. The credit system does not guarantee that products contain a certain percentage of wood from certified forests or claim-contributing materials. Neither system reveals the type or percentage of each material category used in production.

- **Post-Consumer Reclaimed Wood**

The FSC certification scheme considers woody construction waste to be post-consumer reclaimed wood, which is treated as equivalent to FSC 100% wood from FSC-certified forests. In contrast, woody construction waste cannot be treated under the FiT scheme’s “general woody biomass” category, as it falls into a separate category. Since the purchase price for woody construction waste is lower than the price of general woody biomass, treating FSC Mix or FSC Recycled wood which possibly contains woody construction waste as general



woody biomass can be considered a false claim under the FiT scheme. It can also lead to an organization obtaining a greater FiT levy which is not commensurate with the actual content of the biomass fuel provided.

- **Controlled Wood**

Controlled Wood is virgin wood that has been assessed to have low environmental and social risks, and is considered relatively easy to procure in large amounts since it does not require the origin forest to be certified. FSC Controlled Wood is a material that is to be mixed with other materials to produce FSC Mix products. For this reason, FSC only allows transactions of Controlled Wood between certificate holders. This means that certificate holders cannot sell wood pellets as FSC Controlled Wood to power plants that are not FSC-certified.

In the traditional certified product supply chain, it is meaningless to increase the amount of FSC Mix products by mixing in large amounts of Controlled Wood, since this does not necessarily increase the amount of final products that can be labeled and promoted with FSC marks. This is because the amount of product that can be sold with an FSC claim is limited by the amount of claim-contributing inputs used in the credit system, while the percentage system only allows products with an FSC Mix percentage of at least 70% to be labelled. However, when the FiT system demands legal virgin wood, but not necessarily wood from certified forests, Controlled Wood gains an equivalent value to wood from certified forests. As a result, it is possible that large amounts of Controlled Wood could be mixed with certified wood to produce a larger amount of FSC Mix wood, which would then be traded as general woody biomass for the FiT scheme. This practice is not necessarily a violation of FSC certification requirements or the rules of the FiT scheme. Nevertheless, it is an unanticipated phenomenon resulting from the use of certified materials for a purpose that the certification system was not designed for.

Moreover, the FSC certification system allows for the downgrading of FSC claims of higher value to claims of lower value. Controlled Wood is considered to be the lowest of the FSC material categories; thus it is theoretically possible to sell FSC 100% or FSC Mix wood as Controlled Wood by downgrading the FSC claim. However, as such downgrades only decrease the amount of final product that can be labelled as FSC, there is no benefit to doing so in traditional certified product supply chains. Yet, when the FiT scheme demands legally harvested virgin wood for general woody biomass materials, and when Controlled Wood is considered to meet the criteria along with FSC 100% materials from certified forests, then Controlled Wood is considered to have a higher value than FSC Mix material under the FiT system. Under such conditions, it becomes advantageous to “downgrade” an FSC Mix claim for material containing construction waste, which has lower value in the FiT system, to Controlled Wood, in order to sell the whole amount as general woody biomass.



Although Controlled Wood is originally sourced as virgin wood, considering the possibility that FSC Mix materials can be downgraded and claimed to be Controlled Wood, there is no guarantee that the Controlled Wood being traded is indeed virgin wood that is eligible to be categorized as general woody biomass under the FIT system.

- **Neutral Material**

As the FSC certification system is only concerned with forest-based materials, certification requirements are not applied to non-forest-based materials such as metal, glass or plastic. For example, in the case of a table that has a wooden tabletop and metal legs, if the tabletop is made from FSC 100% wood, then the table is considered FSC 100%, as the metal legs are not considered.

Similarly, agricultural residues such as rice husks, bagasse and palm kernel shell are considered neutral materials that do not count towards the FSC percentage in FSC Mix products. Therefore, mixing one unit of FSC 100% with nine units of agricultural residue can yield 10 units of FSC 100% product. However, the content and amount of neutral materials are not visible from the FSC product claims; so is not possible to distinguish FSC Mix pellets made solely from wood from those that also contain neutral materials.

In contrast, the FIT scheme requires different categories of materials to be managed separately. This means that claiming that all FSC biomass pellets, which may contain neutral materials, as “general woody biomass” could constitute a false claim under the FIT scheme. Furthermore, doing so may lead to negligence in providing the third-party certification of sustainability, or legality, required for agricultural residues procured as biomass fuel under the FIT scheme.

FSC’s Response to Fraud

Currently, suspicions of large-scale fraud involving FSC certification are raised based on the fact that the amount of woody biomass fuel imported into Japan and South Korea significantly exceeded the amount that could be produced by FSC-certified forests in the producing countries. However, because the FSC system allows for the mixing of wood from non-FSC-certified forests such as Controlled Wood, reclaimed materials and neutral materials, the large amount of certified materials on the market does not necessarily indicate wrongdoing involving the FSC system.

However, any claims of fraud that threaten the credibility of the FSC certification system are



investigated and decisive measures taken against certificate holders found to be responsible for the misconduct, if necessary. These measures include the suspension of certificates and disassociation. Should any FSC certification fraud be brought to light, FSC will take resolute action, even against non-certified organizations, up to and including legal action.

Based on the above points, FSC sincerely requests that biomass business operators fully understand and properly use the FSC certification system.

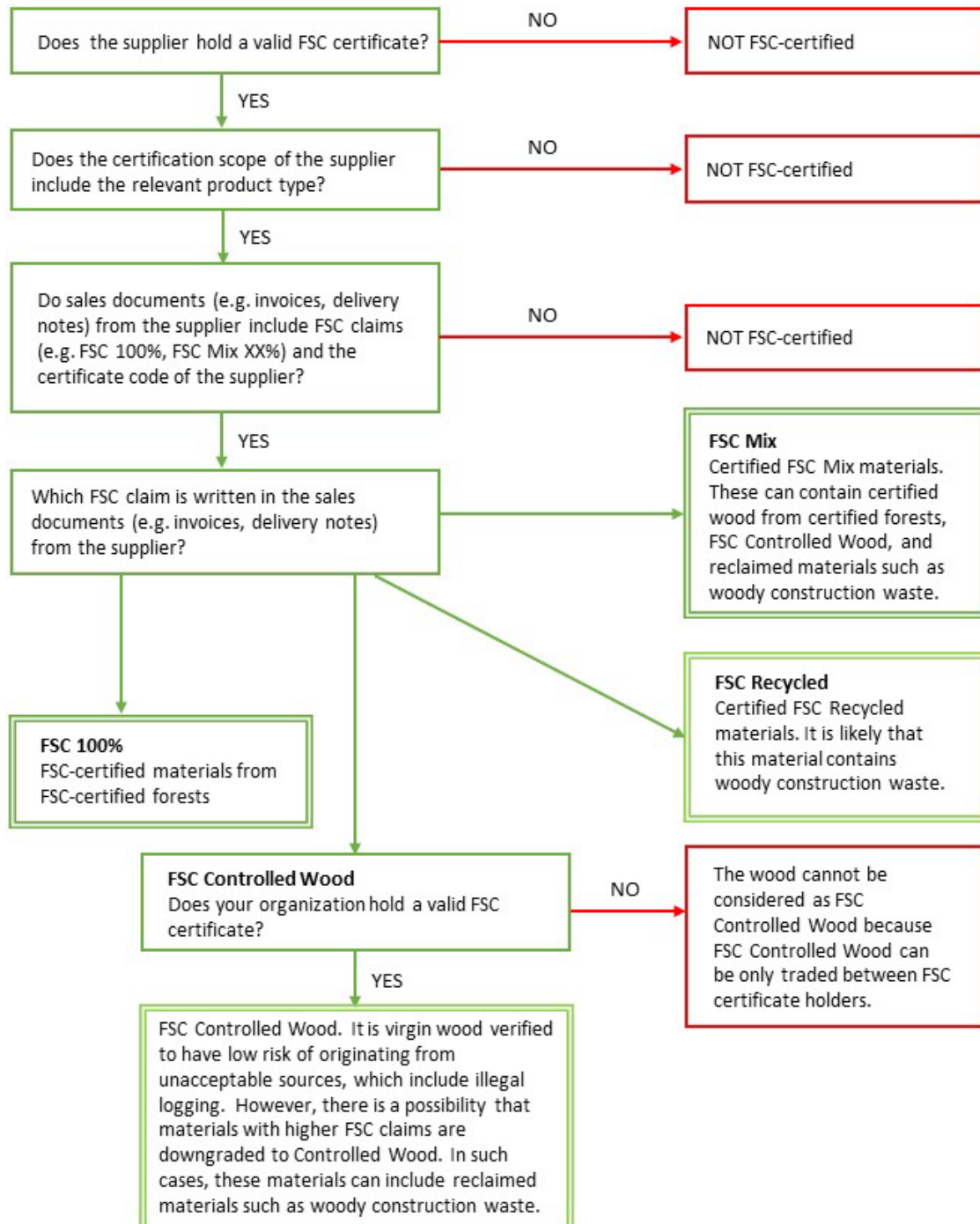
If you are an FSC certificate holder and have any questions regarding certified materials or the FSC certification system, please contact the relevant certification body. If you are another stakeholder with questions, please contact:

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How to Verify FSC-certified Materials



FSC claims only involve the forest-based materials in products. FSC claims do not provide any information on non-forest-based materials, or neutral materials, such as agricultural residues, including whether the product even contains such materials.